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The Microcar Challenge

UNLIKE SO MANY FOCUSING ON FINANCIAL SUCCESS, Midget Motors' goal was providing sensible transportation for ordinary Americans. With no dreams of personal wealth, the founding partners saw the obvious: Americans have made a mess of their transportation system (and family budgets) by chasing unrealistic aspirations. Our auto industry is built around oversized, unaffordable cars and homes, hogging the nation's success in a competitive world. On average, we finance our cars to the tune of nearly \$40,000 over 73 months.

Claud and Dale said, "What can we do to improve America's transportation?" Detroit's boardrooms said, "The bigger the cars, the better the bottom line." Henry Ford's original plan was to make transportation "richer and fuller" for those stuck on the family farm viewing horse's rumps all the way to town. His Model T got the job done; succeeding beyond his wildest dream and dragging the whole nation's transport system along with it. By 1921 Ford's nearest competitor produced about 16 percent of Ford's output. Ford cars were built to haul large farm families into town across mud roads. Challenged by those who saw a market for smaller urban vehicles, Ford countered by simply lowering the price of his Model T and cut 'em off at the pass. That worked for Ford, but established a precedent—*you can't make money building small cars*.

Ford remained unstoppable until his strategy was undercut by Alfred Sloan's General Motors. Sloan took a unique approach to slay the giant. He played on American's taste for "more", upstaging the Model T with a 60 percent heavier Chevrolet, and then enticed Chevy customers to climb the GM ladder to even heavier and more profitable Buicks and Cadillac. Ford meekly followed.

Henry Ford's vision was to *fill* a need; GM's to *create* a need, baiting customers with "easy" financing. As that strategy started to work and the farm market was overcome by the urban, Ford's dominance slipped. When Ford decided he too could play that game and closed his factories for the upscale Model A, GM slipped past and never looked back. It's a cruel world, but business is very efficient in the hands of those who best play the hand they're dealt.

Thus emerged Detroit's mantra; *there's no profit in small cars*.

That's a flawed assumption; the rest of the world knows it, and the partners from Athens saw it 75 years ago.

The game launched by Alfred Sloan led the whole automotive industry to pattern itself on General Motors, striving to produce larger and more luxurious

automobiles and market them to the aspirations for the good things in life among American's trendsetters—"the Jones's". In other words, it launched a shift in American culture. It was also facilitated by our nation's increasing wealth, open spaces, deductible interest and low cost fuel. Our country became admired, detested and copied as the land of conspicuous consumption—The Ugly Americans.

Yet, as Bob Cunningham documented in his *Orphan Babies* books, hundreds of American entrepreneurs kept stubbing their toes, betting there *just has to be* a gigantic American market for sensible little vehicles designed for the short trips we make every day. Foreign countries build such vehicles, but when they try bringing them here, they generally retreat to nurse their wounds back home. We're Americans and well trained by massive marketing.

Detroit's Big Three chased each other building their mass market for "Big Iron", with a dwindling number of "Independents" trying to keep up. The big boys set the standard of productivity and profits, with good wages for the work force and big cars for the customers; used ones for the poor and beginners. They "proved" the economics of small cars simply don't apply here.

So ... everybody's happy, right?

Maybe not. Two world wars and the Great Depression tested and "proved" the concept. Nobody could challenge Detroit's efficient builders. Yet after WWII both GM and Ford came to question their elaborate premise. Fierce competitors, Ford and GM kept a close eye on the test tracks and rumor mills lest the other fellow steal a march. Ford was secretly hedging its bet in the Forties by developing a small car for the feared postwar recession; GM found out and launched a similar program.

In the late Thirties and in his last active decade, Henry Ford still had a picture in his mind of what an American automobile should be, and set out to build a proper successor to his Model T's. Never mind market research; Henry had created the market for basic cars and he would lead it again.

A 1942 article in *Popular Mechanics* said, "When Henry Ford recently unveiled his plastic car, the result of 12 years of research, he gave the world a glimpse of the automobile of tomorrow, its tough panel[s] molded under hydraulic pressure of 1500 lbs. per square inch from a recipe that calls for 70% of cellulose fibers from wheat straw, hemp, and sisal, plus 30% resin binder. The only steel in the car is its tubular welded frame. The plastic car weighs a ton less than a comparable steel car." On an early prototype of Old Henry's vision, he demonstrated by whacking its trunk lid with an axe, using the blade instead of the flat and chopped a hole in the brittle composite plastic.

Nevertheless, the lightweight Ford bucked the established trend with an 88-inch wheelbase and other reductions. Though Old Henry's health was failing, he still owned control, brushed aside his ill successor son, grabbed the reins ... and then died. Edsel's lack of enthusiasm for the program, combined with

Henry's failing health, left a muddle. Ford's bureaucracy nixed the plastic body and ditched the tubular frame—too hard to manufacture profitably. But General Motors didn't know that and announced a competitive light car having a 108-inch wheelbase. Ford's interest revived and they cranked up their light car's wheelbase to 106. As the "light" car evolved, cost projections showed only 17 percent savings compared to a full-sized Ford. Still, the threat of competition led to tooling being ordered. A whole series of bodies was planned and the existing V-8 60 continued the designated power—marginal for the new car—now swollen to accommodate "American Taste" and GM competition.

Erstwhile playboy Henry Ford II and other Ford senior management drifted rudderless toward a decision on the right path forward. General Motors also pondered where the postwar auto market might go. Before production of either "compact" was ready, the market boomed, sopping up anything on wheels. Both Ford and GM cancelled their small car plans. Why waste time and capacity building a low-margin economy car? Ford's light car plans and tooling were shipped off to Ford of France, ultimately going down to an ignominious death as a French Ford; ultimately becoming the Simca Vedette.

General Motors, late in realizing what Ford was up to, hastily took up the challenge with a very innovative product design headed by Earle McPherson. It featured his struts on all four wheels and unit body construction. Aiming at a \$1,000 price, the Cadet came in overweight and over budget and was killed before two special factories put it in production. The story as summed up by prolific auto journalist Paul Niedermeyer:

In 1947, GM killed its Cadet small car program, after spending millions on development. In response to surveys showing that urban Americans wanted smaller, less expensive and more efficient and functional cars, GM set out to create the definitive modern small car. GM's Financial Operating Committee, based in New York, refused to authorize the funds to put the Cadet in production. They feared the program wouldn't provide the automaker's [then] customary 30 percent return on investment. On [that] day sixty years ago, GM began to die. The whole premise of its success was based on



The Ford "light car" as built in France looks like a prewar Ford in back; 49 Mercury front.



GM's 1947 Cadet prototype and the production Australian Holden, which featured bigger tires and wheels, creating an appearance much like the prewar Chevy.

the ever-more rationalized manufacture of full-sized cars (and trucks). When GM refused to accept a less than full-sized profit on a small car, it sealed its future. To this day, GM has never had a successful, profitable small car program.

Had the Ford and GM bean-counters focused a little less on maximizing next quarter profits and a little more on the transportation needs of the nation, those two innovative cars might have founded the next wave of automotive innovation. Base price of a new 1947 Ford, Chev or Plymouth was about \$1,300. Using Ford's estimated 17 percent cost savings for the light car they could offer it for about \$1,100—just 10 percent above GM's Cadet target price. GM could easily match that, so their only loss would have been reduced sales volume—theoretically.

Summarizing auto history, History.com says:

Detroit's Big Three carried Sloanism to its illogical conclusion in the postwar period. Models and options proliferated, and every year cars became longer and heavier, more powerful, more gadget-bedecked, more expensive to purchase and to operate, following the truism that large cars are more profitable to sell than small ones.

Who was to stop them? There was an opening; the dithering at Ford and GM enabled the smaller "Independents" to rush to market the "dream cars" they'd spent the War years preparing. Bigger and "streamlined" cars like the "Bathtub Nash," the "Step Down" Hudson, and the new Kaiser. Small company small car startups like Crosley, Playboy and King Midget made hardly a ripple. Having beaten the Big Three to the lucrative postwar market, Independents making larger cars relaxed, enjoying a decade of riding the trend toward increasing size. The 1949 Ford, Chevy and Plymouth were happy to resume the Sloan game. In 1947, *Forbes* reported, "Some car builders feel existing markets will prevail indefinitely; dealers' reports indicate new orders are running at double the probable output for the year. Introduction of new low-priced cars won't come until the market really becomes competitive."

The Big Three had a production cost advantage of roughly five percent compared to the Independents, so when they regained their prewar mojo, they simply hammered the little fellows into the ground. Had they built those smaller cars they'd planned, it would have happened much sooner. On the other hand if the Independents had been quicker to introduce cars like the Rambler, Willys Aero and Hudson Jet, those cars might have attracted the public's fancy while the big guys slept on. When the Big Three caught on, they might have trundled out the competitive response they'd planned and shifted America's gears toward more reasonable sized cars and kept the foreigners at bay. Ah ... the joys of hindsight.

As we know, the Detroit juggernaut did not pause until put on the defensive by foreign competition. Nothing really changed, leaving the American market wide open to its first real challenger; a small and funny shaped, but well built car designed in Nazi Germany